

Ms. Nemat Shafik , Talking Points
Village Power 2000
Empowering People and Transforming Markets

A. Introduction

Good morning. On behalf of the World Bank Group I'd like to welcome you to Village Power 2000. We are once again delighted to host this event together with USAID, NREL, Winrock and our ESMAP program.

We were very pleased with the number of attendees at Village Power'98. This time around as well, we are happy that the number of registered participants stands at 525 plus !

And we are honored to have in our presence, Sir Mark Moody-Stuart, Chairman of the Royal Dutch Shell Group. This evening, President Mr. James Wolfensohn will inaugurate the Village Power 2000 Renewable Energy Village model in the atrium, and speak about the Bank Group's commitment to poverty alleviation and meeting the energy needs of the rural poor.

The goal of Village Power 2000 is to engage key stakeholders groups in a partnership to help sort out workable ways for advancing rural transformation, by improving access to modern and clean energy services for income generation, meeting essential community needs in health and education, and for home use.

Let me start from a broader context, and then move to the specifics of this conference.

B. We face a crisis of poverty – and more people are entering it than escaping it

The greatest challenge confronting us today is to reduce mass poverty. Indeed this is the Bank's raison d'être. We see ourselves as:

“ a partner in strengthening economies and expanding markets to improve the quality of life for people everywhere”.

The last fifty years have seen unprecedented progress in overall living standards for large numbers of people in developing countries, fuelled by trade, technology and scientific break through, and in more recent years on account of globalization. Yet, today about 3 billion survive on under \$2/day, and worse yet their numbers are growing, especially in South Asia and sub-Saharan Africa. And most of them live in rural areas.

Together we must find new , better, and faster means of narrowing the many divides that separate the rich from the poor nations – income, well-being, technology, and digital, to name a few.

C. Why is access to modern energy a priority ?

Experience tells us that no society has been able to develop without access to adequate, and affordable basic services – such as potable water, health care, education, transportation, electricity, and communications – and in particular modern energy which facilitates the delivery of many essential services.

Access to modern and clean energy can help the poor generate income, and improve their well being; through better health – reduced indoor pollution and better health care delivery - through educating their children – through better lighting in homes and more effective education and training facilities - and through reduced drudgery and time spent by women in un-productive tasks. In addition, and very importantly, by facilitating electronic communications electricity enables crucial links between otherwise isolated rural communities and markets with their regional and national counterparts.

D. Despite the commitment and well intentioned efforts of all of us, progress in reducing the numbers of those without access to modern energy has been slow.

Worse yet, we are losing this race. The numbers of the excluded – especially in South Asia and Africa – keep growing faster than the ability of utilities to make new connections. In Africa in particular, the public sector driven monopoly utility model, driven by grid based rural electrification, has largely stalled and failed to deliver quality service and expand coverage.

And the experience with many of the first generation of rural electrification projects in Asia, 1970 to mid-1980s, has been mixed at best. The developmental benefits often did not materialized on time as anticipated, while costs per connection were higher than projected.

E. It is high time for a change in our approach and modus operandi

The need for energy is clear. But our approach has failed to deliver. We must change the ways in which each of us has been going about addressing the challenge. Clearly, this has not worked, as the situation is getting worse by the day. I would like to share some key thoughts in this regard and I hope your deliberations in the coming days, together with your inputs and experiences, will help to sharpen them further.

First, we must focus on *scaling up the developmental impact of our actions and support to the poor*. This will require shifts in key ways of doing business:

- thinking strategically and holistically about the big picture; taking a longer view in designing our support and assistance and away from the sectoral focus during the project cycle
- moving from a project mode with an activity here and another there, to a programmatic approach, considering long-term and cross-sectoral synergies; moving from individual donor driven strategies, to a partnership approach, working within a comprehensive development

framework, wherein we are all pulling together and focussed on scale up on a sustainable basis.

Second, we must work to lower the cost of increasing access and making it more affordable by:

- deploying standards and network designs appropriate to rural conditions;
- promoting decentralized supply solutions whose costs have been going down fast and are now competitive with or superior to grid supply – such as solar PV, micro-turbines, mini-hydro; and
- finding smarter ways to finance and target subsidies where absolutely needed to address affordability barriers for the poor.

Third, we must recognize that the main engine for scaling up service provision and for income generation in rural areas is the private sector, and the best way to attract innovation and new ideas in competition. Therefore it is critical to work towards removing barriers to entry from private sector and as well as developing enhancements for the private sector in providing energy solutions for the rural poor.

F. The Bank Group's energy practice is changing in response to the challenges we face

We in the Bank have taken a hard look at our energy practice and I would like to share with you our strategy for renewal of this business. We will work with our clients and partners to:

- ***Help the poor directly*** by facilitating access to modern energy, reducing the cost and improving the quality of supply, proper targeting of subsidies, and promoting efficiency and less polluting fuels;
- ***Improve macro/fiscal balances*** by rationalizing energy taxes, eliminating operating subsidies, and promoting private participation;
- ***Promote good governance and private sector development*** by introducing competition, transparent and effective regulation, and strengthening the voice of consumers and communities;
- ***Protect the environment*** by removing market barriers to renewables and energy efficiency investment, fuel switching, facilitating environmentally sustainable resource extraction, processing, and delivery.

G. But the Bank Group cannot go it alone. We need to work in a close partnership

Every one of us has a role to play and each must examine the role shifts they should be making so that together we find more effective ways to address the poverty challenge and how best to bring about the rural transformation needed. In particular:

- ***Governments need to shift*** their traditional roles of owner, operator, and service provider, to service enablers, by putting in place the enabling policy environment and regulations, and by facilitating the free flow of information to the public and the private sector, and through capacity building;
- ***Some donor agencies need to shift*** their role from a technology supplier and associated grant financier, to working with key stakeholders in developing efficient and sustainable delivery and financing mechanisms that support market development and expansion.
- ***NGOs, private sector, and other financiers*** as well, have key roles to play in market development, social intermediation, capacity building, and transfer of skills and technology.

H. Concluding Remarks

I will be asking my staff to report back to me. I hope your deliberations will focus on these key issues so that together we can find the way forward through a **Village Power Partnership**

We must do this for the 2 billion clients “in the dark”, we must do this for reducing poverty, which is what this is all about, and we must do this to make the world an environmentally better place for ourselves and future generations. Thank you.